Canada's Nuclear Regulator

Canadian Nuclear Safety Commission Quarterly Financial Report For the Quarter Ended December 31, 2013

February 2014

Canadian Nuclear Safety Commission
Commission canadienne de sûreté nucléaire

Canada

Canadian Nuclear Safety Commission Quarterly Financial Report
For the Quarter Ended December 31, 2013

© Canadian Nuclear Safety Commission (CNSC) 2014
ISSN 1927-2073

Extracts from this document may be reproduced for individual use without permission provided the source is fully acknowledged. However, reproduction in whole or in part for purposes of resale or redistribution requires prior written permission from the Canadian Nuclear Safety Commission.

Également publié en français sous le titre : Rapport financier trimestriel de la Commission canadienne de sûreté nucléaire pour le trimestre terminé le 31 décembre 2013

Document availability
This document can be viewed on the CNSC website at nuclearsafety.gc.ca
To request a copy of the document in English or French, please contact:

Canadian Nuclear Safety Commission
280 Slater Street
P.O. Box 1046, Station B
Ottawa, Ontario K1P 5S9
CANADA

Tel.: 613-995-5894 or 1-800-668-5284 (in Canada only)
Facsimile: 613-995-5086
Email: info@cnsc-ccsn.gc.ca
Website: nuclearsafety.gc.ca
Facebook: facebook.com/CanadianNuclearSafetyCommission
YouTube: youtube.com/cnscccsn

Table of Contents

1. Introduction 1
   - 1.1 Authority, mandate and program activities 1
   - 1.2 Basis of presentation 2
   - 1.3 CNSC financial structure 2
2. Highlights of Fiscal Quarter and Fiscal Year-to-Date Results 3
   - 2.1 Authorities analysis 3
   - 2.2 Expenditure analysis 4
3. Risks and Uncertainties 6
4. Significant Changes in Relation to Operations, Personnel and Programs 6
5. *Economic Action Plan 2012* (Budget 2012) Implementation 7
6. Approval by Senior Officials 7

Appendix 8
- Statement of Authorities (unaudited) 8
- Budgetary Expenditures by Standard Object (unaudited) 9

Canadian Nuclear Safety Commission
Statement Outlining Results, Risks and Significant Changes in Operations, Personnel and Program

1. Introduction

This quarterly financial report has been prepared by management, as required by section 65.1 of the *Financial Administration Act*, and in the form and manner prescribed by the Treasury Board Secretariat. The report should be read in conjunction with the Main Estimates and Supplementary Estimates, as well as *Canada's Economic Action Plan 2012* (Budget 2012) and previous quarterly financial report for the current year. The quarterly financial report has not been subject to an external audit or review.

1.1 Authority, mandate and program activities

The Canadian Nuclear Safety Commission (CNSC) was established on May 31, 2000, with the coming into effect of the *Nuclear Safety and Control Act* (NSCA). The CNSC is a departmental corporation and reports to Parliament through the Minister of Natural Resources.

As an independent regulatory agency and quasi-judicial administrative tribunal, the CNSC has jurisdiction over all nuclear-related activities and substances in Canada. Its mandate under the NSCA is to:

- regulate the development, production and use of nuclear energy in Canada to protect health, safety and the environment
- regulate the production, possession, use and transport of nuclear substances, prescribed equipment and prescribed information
- implement measure respecting international control of the development, production, transport and use of nuclear energy and substances, including measures respecting the non-proliferation of nuclear weapons and nuclear explosive devices
- disseminate scientific, technical and regulatory information concerning the CNSC's activities, and the impact of the development, production, possession, transport and use of nuclear substances on the environment and the health and safety of persons

To deliver on its mandate, the CNSC has four programs: Regulatory Framework, Licensing and Certification, Compliance and Internal Services.

Further details on the CNSC's authority, mandate and program activities can be found in the *Reports on Plans and Priorities* and the *Main Estimates (Part II)*.

1.2 Basis of presentation

This quarterly report has been prepared by management using an expenditure basis of accounting. The accompanying Statement of Authorities includes the CNSC's spending authorities granted by Parliament and those used by the CNSC, consistent with the Main Estimates and Supplementary Estimates for the 2012–2013 and 2013–2014 fiscal years. This quarterly report has been prepared using a special-purpose financial reporting framework, designed to meet financial information needs with respect to the use of spending authorities.

The authority of Parliament is required before moneys can be spent by the Government. Approvals are given in the form of annually approved limits, through appropriation acts or through legislation, in the form of statutory spending authority for specific purposes. As part of the Parliamentary business of supply, the Main Estimates must be tabled in Parliament on or before March 1, preceding the new fiscal year. Budget 2012 was tabled in Parliament on March 29, after the tabling of the Main Estimates on February 28, 2012. As a result, the measures announced in the Budget 2012 could not be reflected in the 2012–2013 Main Estimates.

In fiscal year 2012–2013, frozen allotments were established by Treasury Board authority in departmental votes to prohibit the spending of funds already identified as savings measures in Budget 2012. Additional funding was sought by the CNSC through the 2012–2013 Supplementary Estimates B. The CNSC received this additional authority net of the planned savings and a frozen allotment. In 2013–2014, the changes to departmental authorities were reflected in the 2013–2014 Main Estimates tabled in Parliament.

The CNSC uses the full accrual method of accounting to prepare and present its annual audited financial statements, which are part of the departmental performance reporting process. However, the spending authorities voted by Parliament remain on an expenditure basis.

1.3 CNSC financial structure

The CNSC has a structure where various funding mechanisms are used to deliver its mandate. Most of the CNSC's funding is received from statutory budgetary authorities, with the remainder from voted budgetary authorities.

In Budget 2013, the CNSC received statutory authority – pursuant to subsection 21(3) of the *Nuclear Safety and Control Act* (NSCA) – to spend during a fiscal year any revenues that it receives in the current or previous fiscal year through the conduct of its operations.

The revenues received from regulatory fees for licences and applications are charged in accordance with the *Canadian Nuclear Safety Commission Cost Recovery Fees Regulations* (CRFR). This authority to spend revenues provides a sustainable and timely funding regime to address the rapid changes in the regulatory oversight workload associated with the Canadian nuclear industry.

In addition to the statutory authority, the CNSC is also funded through the voted budgetary authority from Parliament (Vote 20 – Program expenditures). Voted authority provides funding for activities exempt from paying fees under the CRFR (i.e., hospitals and universities), as these entities exist for the public good. Additionally, fees are not charged for activities that result from CNSC obligations that do not provide a direct benefit to identifiable licensees. These include activities with respect to Canada's international obligations (including non-proliferation activities), public responsibilities such as emergency management and public information programs, and the updating of the NSCA and its associated regulations.

Contributions to the employee benefit plans are statutory budgetary authorities.

2. Highlights of Fiscal Quarter and Fiscal Year-to-Date Results

This section highlights the significant items that contributed to the net increase or decrease in authorities for the year, and actual expenditures for the quarter and year-to-date ended December 31, 2013.

2.1 Authorities analysis

As reflected in the following authorities table, the CNSC's total authorities available to spend have increased by $9.8 million (to $139.7 million), or 7.5% as of the end of the third quarter of 2013–2014, compared to the same quarter of the previous year.

Authorities *(in thousands of dollars)*	2013–2014	2012–2013	Variance
Vote 20 – Program expenditures	**48,020**	**39,783**	**8,237**
Contributions to employee benefit plans	**4,399**	**3,841**	**558**
Expenditures pursuant to subsection 21(3) of the *Nuclear Safety and Control Act*	**87,251**	**86,250**	**1,001**
Total budgetary expenditures	**139,670**	**129,874**	**9,796**

Vote 20 – Program expenditures and Contributions to employee benefit plans (EBP)
The total authorities increased by $8.8 million (to $52.4 million), or 20.2%. The increase is mainly due to:

- $8.4 million increase in funding for reimbursement of eligible paylist expenditures for one-time severance pay, termination benefits and parental benefits
- $0.7 million increase associated to the Single Window horizontal initiative under the *Perimeter Security and Economic Competitiveness*, also known as "Beyond the Border Action Plan"
- $0.6 million increase in Contribution to EBP
- $0.7 million decrease for the implementation of saving measures announced in Budget 2012
- $0.2 million decrease for the transfer of workplace technology devices initiative to Shared Services Canada (SSC)

Budgetary statutory authority – Expenditures pursuant to subsection 21(3) of the *NSCA*
The CNSC's statutory authority for expenditures pursuant to subsection 21(3) of the *NSCA* is based on the CNSC's forecast of expenditures for the year for activities subject to cost recovery fees. The total authorities have increase by $1.0 million (to $87.3 million), or 1.2% mainly as a result of increase in personnel costs due to union negotiated economic increase as well as increase in rent costs.

2.2 Expenditure analysis

Statement of Authorities

Vote 20 – Program expenditures
The authorities used during the third quarter (Q3) of 2013–2014 and year-to-date (YTD) have increased by $4.3 million (to $9.8 million), or 78.2% and by $10.3 million (to $33.4 million), or 44.4% respectively, mainly due to:

- increase in personnel expenditures, due to one extra pay period in the third quarter of 2013–2014, base salary economic increases (through the settlement of the collective agreement), and one-time severance pay for voluntary leave
- increase in professional and special services

Contribution to employee benefit plans (EBP)
The authorities used during the third quarter of 2013–2014 and YTD, which are monthly installments of the Main Estimates employee benefit plans (EBP) amount, have increased by $0.1 million (to $1.1 million) and by $0.4 million (to $3.3 million), or 13.4% respectively, due to an increase in the 2013–2014 Main Estimates personnel expenditure authority under Vote 20 – Program expenditures.

Expenditures pursuant to subsection 21(3) of the *NSCA*
The authorities used during the third quarter of 2013–2014 and YTD have increased by $0.6 million (to $22.7 million), or 2.6% and by $5.2 million (to $61.1 million), or 9.3% respectively, mainly due to:

- increase in salary expenditures (related to base salary economic increases through the settlement of the collective agreement)
- increase in professional and special services

Budgetary Expenditures by Standard Object

Planned expenditures
The total planned expenditures for the year have increased by $9.8 million (to $139.7 million), or 7.5%, when compared to the previous year. The increase in planned expenditures for the year is due to:

- $7.8 million increase in personnel costs due to payout of one-time severance for voluntary leave and base salary economic increase – partially offset by reduction in planned full-time equivalents (FTEs) due to shutdown of the Gentilly-2 nuclear generating station
- $2.4 million increase in professional and special services – mainly for Shared Services Canada (SSC) services charged back to the CNSC and funded through statutory authority, pursuant to subsection 21(3) of the *NSCA*
- $0.4 million net decrease in other expenditure categories

Expended during the quarter and year-to-date used at quarter-end
The total actual budgetary expenditures in the third quarter (Q3) and year-to-date (YTD) were up by $5.0 million (to $33.6 million), or 17.6% and by $15.8 million (to $97.7 million), or 19.3% respectively. The increase in expenditures is due to:

- $1.7 million increase in personnel expenditures at Q3 and $11.7 million YTD, due to:
  - payout of the accumulation of one-time severance pay for voluntary departures
  - an increase in base salary due to economic increase negotiated through collective agreement
  - offset by reduction in FTE due to planned Gentilly-2 nuclear generating station shutdown
  - an increase in projected contribution to employee benefits
- $2.7 million increase in professional and special services at Q3 and $2.9 million YTD, due to timing of posting of SSC costs ($1.1 million at Q3 and $2.2 million) and various other contracts
- $0.3 million increase in acquisition of machinery and equipment at Q3 and $0.6 million YTD, due to timing of purchases of office furniture, laboratory equipment and computer software and hardware

- $0.3 million YTD increase in rentals, to host the International Conference on Effective Nuclear Regulatory Systems (held in Ottawa, Canada)
- $0.3 million increase in transfer payments at Q3 and YTD, due to timing of contribution payments

The remaining year-over-year variances in actual expenditures by standard object during the third quarter or YTD are not significant, and are due to timing differences.

3. Risks and Uncertainties

Most of the CNSC's expenditures are funded through revenues from fees received from the industry. While this authority to spend revenues provides a sustainable and timely funding regime to address the increases in the regulatory oversight workload, it also poses a financial risk due to changing industry patterns and global economies.

Over this past year, the CNSC has made adjustments to its plans to adequately respond to reduced industry activity. In addition to the shutdown announcement for Hydro-Québec's Gentilly-2 nuclear generating station in Bécancour, Quebec (on December 28, 2012) and delays in proceedings with new uranium mine projects, the Ontario government announced (on October 10, 2013) that it will defer investing, for the foreseeable future, in new nuclear generating reactors at the Ontario Power Generation's (OPG) Darlington Nuclear Generating Station. This latest announcement does not create a risk to the current year's financial plan, and its impact on future plans is currently under review, as part of organizational scenario planning and a wider strategic planning exercise.

In addition to above mentioned announcements, there is also uncertainty related to the licensing process for OPG's proposed Deep Geologic Repository for low- to intermediate-level radioactive waste. The future licensing of the repository depends on the environmental assessment currently underway via a Joint Review Panel and on the Minister of Environment's decision. The decision does not impact the current year's financial plan; however, it might affect future planning.

4. Significant Changes in Relation to Operations, Personnel and Programs

There have been no significant changes in relation to operations, personnel and programs during the third quarter for 2013–2014.

5. *Economic Action Plan 2012* (Budget 2012) Implementation

The savings measures announced in Budget 2012 have been implemented to refocus government and programs, to make it easier for Canadians and businesses to deal with their government, and to modernize and reduce the back office.

The CNSC will achieve Budget 2012 savings of $1.3 million by the end of the 2013–2014 fiscal year. The CNSC will achieve these savings through efficiency measures and program reductions that align resources to its core mandate, scaling back where the need is reduced, transforming how it works internally, and consolidating and streamlining its activities. With these changes, the CNSC will focus on supporting management excellence and accountability across Government.

In 2012–2013 (the first year of implementation), the CNSC achieved savings of $0.5 million. The proposed savings will result in ongoing saving of $1.3 million by 2013–2014.

There are no financial risks or uncertainties related to these savings.

In Budget 2012, the CNSC also received a permanent incremental funding of $7.6 million through Vote 20 – Program expenditures and statutory authority Contributions to employee benefit plans. The incremental funding to renew sunsetting funds provided the CNSC funding to cover the costs of licensing nuclear equipment and substances at educational institutions, medical institutions and government departments.

6. Approval by Senior Officials

Approved by:

Original signed by

Michael Binder
President

Original signed by

Stéphane Cyr
Chief Financial Officer

Ottawa, Canada
Date:

Appendix

Statement of Authorities *(unaudited)*

(in thousands of dollars)	Fiscal year 2013–2014			Fiscal year 2012–2013		
	Total available for use for the year ending March 31, 2014 *	Used during the quarter ended December 31, 2013	Year-to-date used at quarter-end	Total available for use for the year ended March 31, 2013 *	Used during the quarter ended December 31, 2012	Year-to-date used at quarter-end
Vote 20 – Program expenditures	48,020	9,849	33,381	39,783	5,528	23,119
Budgetary statutory authorities						
Contribution to employee benefit plans	4,399	1,089	3,268	3,841	960	2,881
Expenditures pursuant to subsection 21(3) of the *Nuclear Safety and Control Act*	87,251	22,669	61,087	86,250	22,084	55,907
Total budgetary authorities	**139,670**	**33,607**	**97,736**	**129,874**	**28,572**	**81,907**
Non-budgetary authorities	-	-	-	-	-	-
Total authorities	**139,670**	**33,607**	**97,736**	**129,874**	**28,572**	**81,907**

More information is available in the attached table.
* Includes only authorities available for use and granted by Parliament at quarter-end.

Budgetary Expenditures by Standard Object *(unaudited)*

(in thousands of dollars)	Fiscal year 2013–2014			Fiscal year 2012–2013		
	Planned expenditures for the year ending March 31, 2014 *	Expended during the quarter ended December 31, 2013	Year-to-date used at quarter-end	Planned expenditures for the year ending March 31, 2013 *	Expended during the quarter ended December 31, 2012	Year-to-date used at quarter-end
Expenditures:						
Personnel	99,509	23,770	76,771	91,693	22,009	65,092
Transportation and communications	6,693	1,547	3,554	6,729	1,371	3,224
Information	1,146	236	624	1,160	303	663
Professional and special services	18,221	5,821	10,836	15,830	3,137	7,919
Rentals	4,289	802	3,063	3,755	699	2,758
Repair and maintenance	3,107	153	378	4,033	315	492
Utilities, materials and supplies	1,315	163	432	1,378	190	515
Acquisition of land, buildings and works	-	-	-	-	-	-
Acquisition of machinery and equipment	3,447	514	1,070	3,631	215	438
Transfer payments	1,770	619	975	1,513	307	714
Other subsidies and payments	173	(18)	33	152	26	92
Total net budgetary expenditures	**139,670**	**33,607**	**97,736**	**129,874**	**28,572**	**81,907**

* Includes only authorities available for use and granted by Parliament at quarter-end.